

**BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
BONDURANT, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2011

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BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Susan Ugulini	President	2011
Michael McNichols	Vice President	2013
Mike Adams	Board Member	2011
Brad Pfaltzgraff	Board Member	2011
Kristin Swift	Board Member	2013
<u>School Officials</u>		
Peggy Vint	Superintendent	2011
Alicia Adkins	Business Director (resigned August 2010)	2011
Patricia Artzer	Business Director (appointed August 2010)	2011
Patricia Artzer	Board Secretary (appointed December 2010)	2011
Chad Sparks	Board Secretary (appointed August 2010) (resigned December 2010)	2011
Ahlers & Cooney P.C.	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Bondurant-Farrar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bondurant-Farrar Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bondurant-Farrar Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2012 on our consideration of Bondurant-Farrar Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 50 through 52 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bondurant-Farrar Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the six years ended June 30, 2009, were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa
January 11, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bondurant-Farrar Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,390,679 in fiscal 2010 to \$12,076,798 in fiscal 2011, while General Fund expenditures also increased from \$9,519,552 in fiscal 2010 to \$10,688,121 in fiscal 2011. This resulted in an increase in the District's fund balance from \$916,148 in fiscal 2010 to \$2,309,712 in fiscal 2011. The District's solvency ratio increased from 6.41% in fiscal 2010 to 15.21% in 2011.
- The increase in General Fund revenues was attributable in part to an increase in student enrollment and also in part to an increase in property tax and state sources. The increase in expenditures was due to the increase in negotiated salaries and benefits, the increase in number of students served, and the opening of the new high school for the 2010-2011 school year.

Overview of the Financial Statements

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bondurant-Farrar Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bondurant-Farrar Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bondurant-Farrar Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relates to one another.

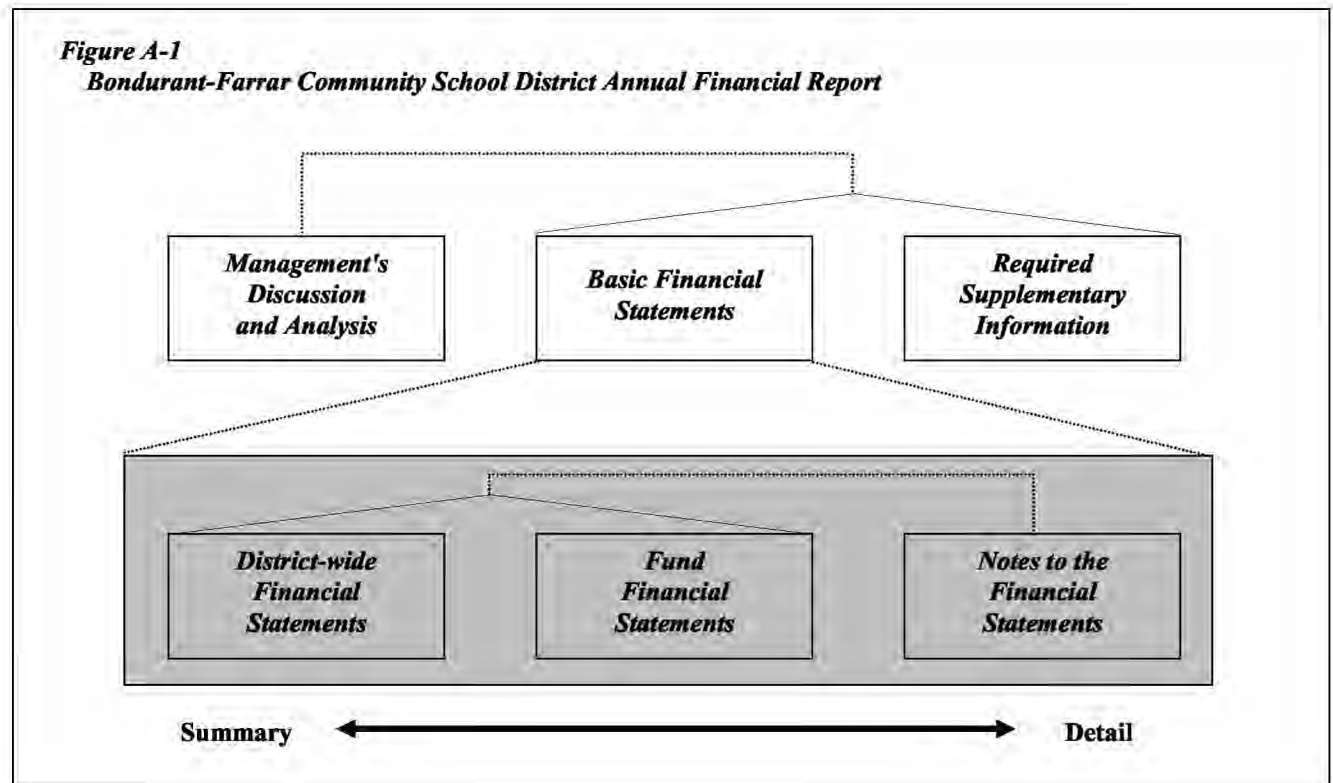


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the reporting year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
- The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Construction Class Fund, and one Internal Service Fund, the Flex Spending Fund.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to fiscal year 2010.

	Governmental Activities		Business-type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	12,835,060	10,808,957	400,565	304,423	13,235,625	11,113,380	19.10%
Capital assets	<u>21,390,935</u>	<u>21,090,132</u>	<u>240,544</u>	<u>96,911</u>	<u>21,631,479</u>	<u>21,187,043</u>	2.10%
Total assets	34,225,995	31,899,089	641,109	401,334	34,867,104	32,300,423	7.90%
Long-term liabilities	11,554,058	12,072,335	0	0	11,554,058	12,072,335	-4.30%
Other liabilities	<u>6,572,421</u>	<u>5,965,207</u>	<u>62,103</u>	<u>44,179</u>	<u>6,634,524</u>	<u>6,009,386</u>	10.40%
Total liabilities	18,126,479	18,037,542	62,103	44,179	18,188,582	18,081,721	0.60%
Net assets:							
Invested in capital assets, net of related debt	10,210,935	9,468,658	240,544	96,911	10,451,479	9,565,569	9.30%
Restricted	4,222,127	3,632,568	0	0	4,222,127	3,632,568	16.20%
Unrestricted	<u>1,666,454</u>	<u>760,321</u>	<u>338,462</u>	<u>260,244</u>	<u>2,004,916</u>	<u>1,020,565</u>	96.50%
Total net assets	16,099,516	13,861,547	579,006	357,155	16,678,522	14,218,702	17.30%

The District's combined net assets at June 30, 2011 compared to fiscal year 2010 are listed in Figure A-3. The District's combined net assets increased 17% to \$16,678,522. The largest portion of the District's net assets is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restriction, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to fiscal year 2010.

	Governmental Activities		Business-type Activities		Total District	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for service	1,201,999	1,013,247	712,131	414,043	1,914,130	1,427,290
Operating grants, contributions and restricted interest	1,866,113	1,458,655	209,686	180,273	2,075,799	1,638,928
Capital grants, contributions and restricted interest	137,389	116,284	154,670	0	292,059	116,284
General revenues:						
Property tax	4,530,171	4,195,867	0	0	4,530,171	4,195,867
Local option sales and service tax	1,143,037	978,786	0	0	1,143,037	978,786
Income surtax	183,807	202,111	0	0	183,807	202,111
Unrestricted state grants	5,750,473	5,110,400	0	0	5,750,473	5,110,400
Unrestricted investment earnings	54,730	95,104	288	80	55,018	95,184
Other	97,587	108,613	0	0	97,587	108,613
Loss on disposal of assets	<u>-10,621</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-10,621</u>	<u>0</u>
Total revenues	14,954,685	13,279,067	1,076,775	594,396	16,031,460	13,873,463
Program expenses:						
Governmental activities:						
Instruction	7,210,116	6,522,728	242,238	29,156	7,452,354	6,551,884
Support services	3,677,269	3,105,187	7,480	1,191	3,684,749	3,106,378
Non-instructional program	0	0	605,206	496,159	605,206	496,159
Other expenses	<u>1,829,331</u>	<u>1,270,171</u>	<u>0</u>	<u>0</u>	<u>1,829,331</u>	<u>1,270,171</u>
Total expenses	12,716,716	10,898,086	854,924	526,506	13,571,640	11,424,592
Change in net assets	2,237,969	2,380,981	221,851	67,890	2,459,820	2,448,871

Governmental Activities

Revenues for governmental activities were \$14,954,685 and expenses were \$12,716,716.

Property tax and unrestricted state grants account for 69% of total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	7,210,116	4,734,069
Support Services	3,677,269	3,576,558
Non-instructional programs	0	0
Other expenses	<u>1,829,331</u>	<u>1,200,588</u>
Totals:	12,716,716	9,511,215

- The cost financed by users of the District's programs was \$1,201,999.
- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$1,866,113 and capital grants and contributions totaling \$137,389.
- The net cost of governmental activities was financed in part with \$4,530,171 in property tax, \$1,143,037 in local option sales and services tax, \$183,807 in Income Surtax, \$5,750,473 in unrestricted state grants, \$54,730 in interest income, and \$97,587 in miscellaneous sources.

Business-Type Activities

Revenues of the District's business-type activities were \$1,076,775 and expenses were \$854,924. The District's business-type activities include the School Nutrition Fund and Construction Class. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Bondurant-Farrar Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,124,102 compared to \$4,713,384 in Fiscal Year 2010. The General Fund balance for Fiscal Year 2011 was \$2,309,712 compared to 916,148 for Fiscal Year 2010. The increase in combined fund balances at the end of fiscal 2011 is due to increased revenues and tight control of expenditures.

Governmental Fund Highlights

- The district's General Fund financial position is the product of many factors. The General Fund balance improved due in part to the commitment of District officials to continue cost control measures.
- The Capital Projects Fund balance increased due to holding the local option sales tax monies to use for planned additions to the middle school and high school in fiscal year 2012, as well as, possible future building projects.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$244,424 to \$451,085, representing an increase of 85%. This increase was mainly due to equipment purchased by the Capital Projects Fund which was contributed to the Nutrition Fund.

The Construction Class Fund net assets increased from \$112,731 to \$127,201.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of FY11, the District did not need to amend its annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison as presented in the required supplemental information section of this report.

Legal Budgetary Highlights

The District's total actual receipts were \$226,502 more than the total budgeted receipts, a variance of 1.44% percent. The variance was due to an increase in local sources of revenue.

Total expenditures were \$3,907,358 less than budgeted due primarily to the District's control of expenditures. It is the District's practice to budget expenditures at or near the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011, the District had invested \$21,631,479, net of accumulated depreciation of \$8,122,762, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year totaled \$699,953.

The original cost of the District's capital assets was \$29,754,241. Governmental activities account for \$29,258,831, leaving \$495,410 in the business activities.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities	Business Type Activities	Total District
Land	507,375	0	507,375
Construction in progress	132,573	0	132,573
Buildings	19,635,094	0	19,635,094
Improvements other than buildings	126,795	0	126,795
Furniture and equipment	<u>989,098</u>	<u>240,544</u>	<u>1,229,642</u>
Totals	21,390,935	240,544	21,631,479

Long-Term Liabilities

At June 30, 2011, the District had \$11,554,058 in general obligation and other long-term liabilities outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District 2011
General obligation bonds	9,310,000
Local option sales and service tax revenue bonds	0
Capital loan notes	1,870,000
Early retirement	157,975
Net OPEB Liability	<u>216,083</u>
Totals:	11,554,058

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- With the District's current financial challenges, the general state of the economy is of large concern for the District as state budget cuts appear possible, shifting funding to property taxes and other revenue sources. The District will continue to explore all opportunities to reduce expenditures and/or increase revenues.
- The District continues to explore opportunities to improve its financial status, mindful that the first priority is what is in the best interest of our students.
- Due to the District's location in the metro area and continued growth, enrollment increased 4.57%, 8.23%, and 4.74% over the last three years. Current projections predict continued growth in the District which will result in increased state funding reflective of actual increases.
- Many factors continue to be a concern for the District including the fluctuation in prices of gas, diesel, and natural gas.
- With 67% of the General Fund expenditures consisting of salaries and benefits, the increasing cost of salaries, benefits, health costs, and IPERS continue to be a major concern.
- Along with the additions to the middle school and high school, naturally comes additional expenses for the operation of the new additions which are all General Fund expenditures.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patti Artzer, Business Manager, Bondurant-Farrar Community School District, 300 Garfield Street SW, Bondurant, IA 50035

Basic Financial Statements

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 7,050,306	\$ 222,562	\$ 7,272,868
Receivables:			
Property tax:			
Current year	63,542	-	63,542
Succeeding year	4,828,805	-	4,828,805
Income surtax	174,256	-	174,256
Accounts	59,465	725	60,190
Interfund receivable (payable) (note 3)	71,449	(71,449)	-
Due from other governments	587,237	-	587,237
Inventories	-	248,727	248,727
Capital assets, net of accumulated depreciation (note 5)	21,390,935	240,544	21,631,479
Total assets	34,225,995	641,109	34,867,104
Liabilities			
Accounts payable	440,546	40,605	481,151
Salaries and benefits payable	1,012,879	8,279	1,021,158
Early retirement (note 6)	3,229	-	3,229
Accrued interest payable	37,079	-	37,079
Deferred revenue:			
Succeeding year property tax	4,828,805	-	4,828,805
Other	249,883	13,219	263,102
Long-term liabilities (notes 6 and 7):			
Portion due within one year:			
Early retirement	54,365	-	54,365
Bonds payable	370,000	-	370,000
Notes payable	250,000	-	250,000
Portion due after one year:			
Early retirement	103,610	-	103,610
Bonds payable	8,940,000	-	8,940,000
Notes payable	1,620,000	-	1,620,000
Net OPEB liability	216,083	-	216,083
Total liabilities	18,126,479	62,103	18,188,582

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 10,210,935	\$ 240,544	\$ 10,451,479
Restricted for:			
Categorical funding (note 11)	472,626	-	472,626
Physical plant and equipment levy	15,239	-	15,239
Student activities	91,765	-	91,765
Debt service	27,023	-	27,023
Capital projects	3,615,474	-	3,615,474
Unrestricted	<u>1,666,454</u>	<u>338,462</u>	<u>2,004,916</u>
Total net assets	<u>\$ 16,099,516</u>	<u>\$ 579,006</u>	<u>\$ 16,678,522</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
		Services		
Governmental Activities:				
Instruction:				
Regular instruction	\$ 4,620,740	\$ 610,109	\$ 1,148,784	\$ -
Special instruction	1,295,277	249,202	199,584	-
Other instruction	1,294,099	251,522	16,846	-
	<u>7,210,116</u>	<u>1,110,833</u>	<u>1,365,214</u>	<u>-</u>
Support services:				
Student services	331,954	-	6,442	-
Instructional staff services	573,284	-	-	-
Administration services	1,203,275	29,753	-	-
Operation and maintenance of plant services	1,129,126	36,066	-	-
Transportation services	439,630	25,347	3,103	-
	<u>3,677,269</u>	<u>91,166</u>	<u>9,545</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	360,692	-	-	137,389
Long-term debt interest and fiscal charges	462,578	-	-	-
AEA flowthrough	491,354	-	491,354	-
Depreciation (unallocated) *	514,707	-	-	-
	<u>1,829,331</u>	<u>-</u>	<u>491,354</u>	<u>137,389</u>
Total governmental activities	<u>12,716,716</u>	<u>1,201,999</u>	<u>1,866,113</u>	<u>137,389</u>
Business-Type Activities:				
Instruction:				
Construction class	242,238	256,708	-	-
Support services:				
Food service operations	<u>7,480</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,861,847)	\$ -	\$ (2,861,847)
(846,491)	-	(846,491)
(1,025,731)	-	(1,025,731)
<u>(4,734,069)</u>	<u>-</u>	<u>(4,734,069)</u>
(325,512)	-	(325,512)
(573,284)	-	(573,284)
(1,173,522)	-	(1,173,522)
(1,093,060)	-	(1,093,060)
(411,180)	-	(411,180)
<u>(3,576,558)</u>	<u>-</u>	<u>(3,576,558)</u>
(223,303)	-	(223,303)
(462,578)	-	(462,578)
-	-	-
(514,707)	-	(514,707)
<u>(1,200,588)</u>	<u>-</u>	<u>(1,200,588)</u>
<u>(9,511,215)</u>	<u>-</u>	<u>(9,511,215)</u>
-	14,470	14,470
-	(7,480)	(7,480)

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Business-Type Activities (continued):				
Non-instructional programs:				
Food service operations	\$ 605,206	\$ 455,423	\$ 209,686	\$ 154,670
Total business-type activities	854,924	712,131	209,686	154,670
Total	\$ 13,571,640	\$ 1,914,130	\$ 2,075,799	\$ 292,059

General revenues (expenses):

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state and federal grants

Unrestricted investment earnings

Other

Loss on disposal of assets

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation included
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ -	\$ 214,573	\$ 214,573
-	221,563	221,563
(9,511,215)	221,563	(9,289,652)

\$ 3,364,548	\$ -	\$ 3,364,548
756,839	-	756,839
408,784	-	408,784
183,807	-	183,807
1,143,037	-	1,143,037
5,750,473	-	5,750,473
54,730	288	55,018
97,587	-	97,587
(10,621)	-	(10,621)
11,749,184	288	11,749,472
2,237,969	221,851	2,459,820
13,861,547	357,155	14,218,702
\$ 16,099,516	\$ 579,006	\$ 16,678,522

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 3,369,002	\$ 53,573	\$ 3,507,188	\$ 119,183	\$ 7,048,946
Receivables:					
Property tax:					
Current year	45,917	10,529	5,687	1,409	63,542
Succeeding year	3,405,791	762,355	460,659	200,000	4,828,805
Income surtax	174,256	-	-	-	174,256
Interfund receivable (note 3)	71,449	-	-	31,094	102,543
Accounts	52,313	-	-	7,152	59,465
Due from other governments	316,832	-	270,405	-	587,237
Total assets	\$ 7,435,560	\$ 826,457	\$ 4,243,939	\$ 358,838	\$ 12,864,794
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 271,939	\$ -	\$ 132,573	\$ 36,034	\$ 440,546
Salaries and benefits payable	1,012,879	-	-	-	1,012,879
Interfund payable (note 3)	11,100	-	19,994	-	31,094
Early retirement payable (note 6)	-	-	-	3,229	3,229
Deferred revenue:					
Succeeding year property tax	3,405,791	762,355	460,659	200,000	4,828,805
Other	424,139	-	-	-	424,139
Total liabilities	5,125,848	762,355	613,226	239,263	6,740,692
Fund balances:					
Restricted for:					
Categorical funding (note 11)	472,626	-	-	-	472,626
Debt service	-	64,102	-	-	64,102
Management levy purposes	-	-	-	27,810	27,810
Student activities	-	-	-	91,765	91,765
School infrastructure	-	-	3,615,474	-	3,615,474
Physical plant and equipment	-	-	15,239	-	15,239
Unassigned	1,837,086	-	-	-	1,837,086
Total fund balances	2,309,712	64,102	3,630,713	119,575	6,124,102
Total liabilities and fund balances	\$ 7,435,560	\$ 826,457	\$ 4,243,939	\$ 358,838	\$ 12,864,794

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2011

Total fund balances of governmental funds	\$ 6,124,102
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,390,935
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	174,256
The Internal Service Fund net assets are included with the Governmental Activities in the government-wide financial statements due to the integral nature of the activities.	1,360
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(37,079)
Long-term liabilities, including bonds payable, notes payable, early retirement, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(11,554,058)</u>
Net assets of governmental activities	<u>\$ 16,099,516</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,441,320	\$ 756,581	\$ 1,551,682	\$ 100,127	\$ 5,849,710
Tuition	778,465	-	-	-	778,465
Other	249,175	-	67,582	281,652	598,409
State sources	7,050,924	259	13,371	36	7,064,590
Federal sources	556,914	-	106,632	-	663,546
Total revenues	12,076,798	756,840	1,739,267	381,815	14,954,720
Expenditures:					
Current:					
Instruction	6,806,093	-	-	318,277	7,124,370
Support services:					
Student services	328,199	-	-	-	328,199
Instructional staff services	556,512	-	31,186	-	587,698
Administration services	1,111,555	-	-	84,340	1,195,895
Operation and maintenance of plant services	1,022,201	-	-	125,472	1,147,673
Transportation services	372,207	-	53,000	6,109	431,316
	3,390,674	-	84,186	215,921	3,690,781
Other expenditures:					
Facilities acquisition	-	-	1,183,694	-	1,183,694
Long term debt:					
Principal	-	595,000	-	-	595,000
Interest and fiscal charges	-	463,690	-	-	463,690
AEA flowthrough	491,354	-	-	-	491,354
	491,354	1,058,690	1,183,694	-	2,733,738
Total expenditures	10,688,121	1,058,690	1,267,880	534,198	13,548,889
Excess (deficiency) of revenues over (under) expenditures	1,388,677	(301,850)	471,387	(152,383)	1,405,831

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 4,887	\$ -	\$ -	\$ -	\$ 4,887
Interfund transfers in (note 4)	-	302,435	-	-	302,435
Interfund transfers out (note 4)	-	-	(302,435)	-	(302,435)
Total other financing sources (uses)	<u>4,887</u>	<u>302,435</u>	<u>(302,435)</u>	<u>-</u>	<u>4,887</u>
Net change in fund balances	1,393,564	585	168,952	(152,383)	1,410,718
Fund balances beginning of year, as restated (note 12)	<u>916,148</u>	<u>63,517</u>	<u>3,461,761</u>	<u>271,958</u>	<u>4,713,384</u>
Fund balances end of year	<u>\$ 2,309,712</u>	<u>\$ 64,102</u>	<u>\$ 3,630,713</u>	<u>\$ 119,575</u>	<u>\$ 6,124,102</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 1,410,718

Amounts reported for governmental activities in the Statement of Activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, capital losses, and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 979,726	
Depreciation expense	(668,302)	
Loss on disposal of assets	<u>(10,621)</u>	300,803

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 5,699

The increase in net assets of the Internal Service Fund represents an overcharge to the governmental funds and is therefore adjusted back into governmental activities. 1,360

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 595,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,112

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	33,712	
Net OPEB liability	<u>(110,435)</u>	<u>(76,723)</u>

Change in net assets of governmental activities \$ 2,237,969

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2011

	Enterprise Funds			Internal
	School	Nonmajor		Service
	Nutrition	Enterprise	Total	Fund
Assets				
Cash and cash equivalents	\$ 222,562	\$ -	\$ 222,562	\$ 1,360
Receivables:				
Accounts	725	-	725	-
Inventories	10,227	238,500	248,727	-
Capital assets, net of accumulated depreciation (note 5)	240,544	-	240,544	-
Total assets	<u>474,058</u>	<u>238,500</u>	<u>712,558</u>	<u>1,360</u>
Liabilities				
Interfund payable (note 3)	-	71,449	71,449	-
Accounts payable	3,755	36,850	40,605	-
Salaries and benefits payable	8,279	-	8,279	-
Deferred revenue	10,219	3,000	13,219	-
Total liabilities	<u>22,253</u>	<u>111,299</u>	<u>133,552</u>	<u>-</u>
Net Assets				
Invested in capital assets	240,544	-	240,544	-
Unrestricted	<u>211,261</u>	<u>127,201</u>	<u>338,462</u>	<u>1,360</u>
Total net assets	<u>\$ 451,805</u>	<u>\$ 127,201</u>	<u>\$ 579,006</u>	<u>\$ 1,360</u>

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 Year Ended June 30, 2011

	Enterprise Funds			Internal
	School	Nonmajor		Service
	Nutrition	Enterprise	Total	Fund
Operating revenues:				
Local sources:				
Charges for services	\$ 455,423	\$ 256,708	\$ 712,131	\$ 55,195
Operating expenses:				
Instruction:				
Other instruction:				
Purchased services	-	109,422	109,422	-
Supplies	-	132,816	132,816	-
	-	242,238	242,238	-
Support services:				
Purchased services	7,480	-	7,480	53,835
Non-instructional programs:				
Food service operations:				
Salaries	199,078	-	199,078	-
Benefits	47,886	-	47,886	-
Purchased services	13,419	-	13,419	-
Supplies	313,172	-	313,172	-
Depreciation	31,651	-	31,651	-
	605,206	-	605,206	-
Total operating expenses	612,686	242,238	854,924	53,835
Operating income (loss)	(157,263)	14,470	(142,793)	1,360
Non-operating revenues:				
Interest on investments	288	-	288	-
State sources	5,463	-	5,463	-
Federal sources	204,223	-	204,223	-
Capital contributions	154,670	-	154,670	-
Total non-operating revenues	364,644	-	364,644	-
Change in net assets	207,381	14,470	221,851	1,360
Net assets beginning of year	244,424	112,731	357,155	-
Net assets end of year	\$ 451,805	\$ 127,201	\$ 579,006	\$ 1,360

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise Funds			Internal
	School	Nonmajor		Service
	Nutrition	Enterprise	Total	Fund
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 457,612	\$ -	\$ 457,612	\$ -
Cash received from miscellaneous operating activities	6,030	251,708	257,738	55,195
Cash payments to employees for services	(253,391)	-	(253,391)	-
Cash payments to suppliers for goods or services	(303,827)	(227,143)	(530,970)	(53,835)
Net cash provided by (used by) operating activities	(93,576)	24,565	(69,011)	1,360
Cash flows from non-capital financing activities:				
State grants received	5,463	-	5,463	-
Federal grants received	167,347	-	167,347	-
(Decrease) in due to other funds	-	(24,565)	(24,565)	-
Net cash provided by non-capital financing activities	172,810	(24,565)	148,245	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(20,614)	-	(20,614)	-
Cash flows from investing activities:				
Interest on investments	288	-	288	-
Net increase in cash and cash equivalents	58,908	-	58,908	1,360
Cash and cash equivalents beginning of year	163,654	-	163,654	-
Cash and cash equivalents end of year	\$ 222,562	\$ -	\$ 222,562	\$ 1,360

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2011

	Enterprise Funds			Internal
	School	Nonmajor		Service
	Nutrition	Enterprise	Total	Fund
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ (157,263)	\$ 14,470	\$ (142,793)	\$ 1,360
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Commodities used	36,876	-	36,876	-
Depreciation	31,651	-	31,651	-
(Increase) in inventories	(1,375)	(10,898)	(12,273)	-
(Increase) in accounts receivable	(396)	-	(396)	-
Increase (decrease) in accounts payable	(5,257)	25,993	20,736	-
(Decrease) in salaries and benefits payable	(6,427)	-	(6,427)	-
Increase (decrease) in deferred revenue	8,615	(5,000)	3,615	-
Net cash provided by (used by) operating activities	\$ <u>(93,576)</u>	\$ <u>24,565</u>	\$ <u>(69,011)</u>	\$ <u>1,360</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$36,876 of federal commodities. In addition, the District's School Nutrition Fund received a capital contribution of equipment valued at \$154,670 from the Capital Projects Fund.

See notes to financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies

Bondurant-Farrar Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Bondurant and Farrar, Iowa, and agricultural territory in Polk and Jasper Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Bondurant-Farrar Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Bondurant-Farrar Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Polk and Jasper County Assessors' Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

Additionally, the District reports the nonmajor Enterprise, Construction Class Fund, which is used to account for the construction of houses within the District for educational purposes, and the Internal Service Fund, Flex Plan which is used to account for Internal Revenue Service section 125 flexible benefits program.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2011 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, unearned meal revenues, and unearned construction deposits.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned grant revenues, and unearned meal revenues and construction deposits.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. A liability is recorded when incurred in the District-wide financial statements. The District had no compensated absences liability at June 30, 2011.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>5,983,075</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Interfund Receivables/Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
Interfund totals:		
General	Enterprise, Construction Class	\$ 71,449
Special Revenue, Student Activity	General	11,100
	Capital Projects	19,994
		\$ <u>102,543</u>
Intrafund totals:		
Capital Projects,	Capital Projects,	
Other Construction Projects	Statewide Sales, Services	
	and Use Tax	\$ <u>132,573</u>

The amounts due to the Special Revenue Fund, Student Activity from the General and Capital Projects Funds are the results of transactions which had not yet been repaid at year end.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 3. Interfund Receivables/Payables (continued)

The amount due between the Enterprise Fund, Construction Class and the General Fund is a result of pooled cash balances. This amount is eliminated on the face of Exhibit A Statement of Net Assets.

The intrafund total represents expenditures made from the Capital Projects Fund, Other Construction Projects Account which had not yet been repaid from the Capital Projects, Statewide Sales, Services and Use Tax Fund Account. These amounts have been eliminated from the face of the general purpose financial statements.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Interfund totals:		
Debt Service	Capital Projects	\$ <u>302,435</u>
Intrafund totals:		
Capital Projects, Other Construction Projects Account	Capital Projects, Statewide Sales, Services and Use Tax Account	\$ 132,573
	Capital Projects, Physical Plant and Equipment Levy Account	<u>575,408</u>
		\$ <u>707,981</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The intrafund transfer totals represent amounts transferred between accounts within the Capital Projects Fund and have been removed from the face of the general purpose financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 507,375	\$ -	\$ -	\$ 507,375
Construction in progress	<u>13,030,170</u>	<u>132,573</u>	<u>13,030,170</u>	<u>132,573</u>
Total capital assets not being depreciated	<u>13,537,545</u>	<u>132,573</u>	<u>13,030,170</u>	<u>639,948</u>
Capital assets being depreciated:				
Buildings	11,395,998	13,089,113	-	24,485,111
Improvements other than buildings	670,296	7,786	-	678,082
Furniture and equipment	<u>2,685,887</u>	<u>780,424</u>	<u>10,621</u>	<u>3,455,690</u>
Total capital assets being depreciated	<u>14,752,181</u>	<u>13,877,323</u>	<u>10,621</u>	<u>28,618,883</u>
Less accumulated depreciation for:				
Buildings	4,354,569	495,448	-	4,850,017
Improvements other than buildings	533,768	17,519	-	551,287
Furniture and equipment	<u>2,311,257</u>	<u>155,335</u>	<u>-</u>	<u>2,466,592</u>
Total accumulated depreciation	<u>7,199,594</u>	<u>668,302</u>	<u>-</u>	<u>7,867,896</u>
Total capital assets being depreciated, net	<u>7,552,587</u>	<u>13,209,021</u>	<u>10,621</u>	<u>20,750,987</u>
Governmental activities capital assets, net	<u>\$ 21,090,132</u>	<u>\$ 13,341,594</u>	<u>\$ 13,040,791</u>	<u>\$ 21,390,935</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business-type activities:				
Furniture and equipment	\$ 320,126	\$ 175,284	\$ -	\$ 495,410
Less accumulated depreciation	<u>223,215</u>	<u>31,651</u>	<u>-</u>	<u>254,866</u>
Business-type activities capital assets, net	<u>\$ 96,911</u>	<u>\$ 143,633</u>	<u>\$ -</u>	<u>\$ 240,544</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular

\$ 71,197

Other

17,939

Support services:

Instructional staff

1,144

Administration

211

Operation and maintenance of plant services

6,722

Transportation

56,382

153,595

Unallocated depreciation

514,707

Total governmental activities depreciation expense

\$ 668,302

Business-type activities:

Food service operations

\$ 31,651

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 191,687	\$ 25,279	\$ 58,991	\$ 157,975	\$ 54,365
General obligation bonds	9,660,000	-	350,000	9,310,000	370,000
Notes payable	2,115,000	-	245,000	1,870,000	250,000
Net OPEB liability	105,648	110,435	-	216,083	-
Total	<u>\$ 12,072,335</u>	<u>\$ 135,714</u>	<u>\$ 653,991</u>	<u>\$ 11,554,058</u>	<u>\$ 674,365</u>

Early Retirement

The District occasionally offers a voluntary early retirement plan to all employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of continuous service to the District (excluding any years the employee was a substitute teacher). Employees must complete an application which is required to be approved by the Board of Education.

An employee granted early retirement will receive a stipend equal to \$3,000 less lawful deductions. An employee granted early retirement may elect to continue participation in the District's group health insurance plan subject to approval of the carrier and in accordance with Iowa law. The employee must have been a participant in the District's group health insurance plan. The District will continue to pay up to \$350 per month towards the premium for single coverage until the employee is eligible for Medicare or Medicaid for any reason, becomes covered by another employer provided group health insurance plan, dies, or fails to pay the balance of the premium due for coverage.

At June 30, 2011, the District had obligations to eleven participants with a total liability of \$161,204. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$58,991. The \$3,229 cost of early retirement payments expected to be liquidated currently is recorded as a liability of the Special Revenue, Management Fund in the fund financial statements and as a current liability of the Governmental Activities in the District-wide financial statements. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 1, 2008			Issue dated December 1, 2007			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2012	4.10 %	\$ 170,000	\$ 377,155	3.60 %	\$ 200,000	\$ 14,400	\$ 370,000	\$ 391,555
2013	4.10	185,000	370,185	3.60	200,000	7,200	385,000	377,385
2014	4.10	400,000	362,600	-	-	-	400,000	362,600
2015	4.10	420,000	346,200	-	-	-	420,000	346,200
2016	4.10	440,000	328,980	-	-	-	440,000	328,980
2017-2021	4.10	2,560,000	1,354,415	-	-	-	2,560,000	1,354,415
2022-2026	4.10-4.40	3,215,000	777,425	-	-	-	3,215,000	777,425
2027-2028	4.60-4.70	1,520,000	107,360	-	-	-	1,520,000	107,360
		<u>\$ 8,910,000</u>	<u>\$ 4,024,320</u>		<u>\$ 400,000</u>	<u>\$ 21,600</u>	<u>\$ 9,310,000</u>	<u>\$ 4,045,920</u>

Capital Loan Notes

Details of the District's June 30, 2011 capital loan notes indebtedness is as follows:

Year Ending June 30,	Issue dated June 1, 2009		
	Interest Rates	Principal	Interest
2012	2.00 %	\$ 250,000	\$ 53,393
2013	2.25	255,000	48,392
2014	2.60	260,000	42,655
2015	2.80	265,000	35,895
2016	3.10	270,000	28,475
2017	3.40	280,000	20,105
2018	3.65	290,000	10,585
		<u>\$ 1,870,000</u>	<u>\$ 239,500</u>

Note 7. Other Postemployment Benefits (OPEB)

The District prospectively implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 101 active and 11 retired members in the plan. Participants must be age 55 or older at retirement.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7. Other Postemployment Benefits (OPEB) (continued)

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	187,471
Interest on net OPEB obligation		2,641
Adjustment to annual required contribution		18,778
Annual OPEB cost		<u>171,334</u>
Contributions made		<u>60,899</u>
Increase in net OPEB obligation		110,435
Net OPEB obligation beginning of year		<u>105,648</u>
Net OPEB obligation end of year	\$	<u><u>216,083</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$60,899 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 171,334	35.5%	\$ 216,083

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,073,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,073,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,718,000, and the ratio of the UAAL to covered payroll was 16.0%. As of June 30, 2011, there were no trust fund assets.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000 (2/3 female, 1/3 male).

The salary increase rate was assumed to be 3% per year. The UAAL is being amortized over 30 years.

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$459,632, \$402,330, and \$385,804, respectively, equal to the required contributions for each year.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Risk Management

Bondurant-Farrar Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$491,354 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Returning dropouts and dropout prevention	\$ 233,255
Statewide voluntary preschool program	116,707
Professional development for model core curriculum	46,698
Talented and gifted	38,670
At-risk program	16,333
Limited English proficiency	9,361
Professional development	8,109
Home school assistance program	2,336
Early childhood programs	<u>1,157</u>
Total	\$ <u><u>472,626</u></u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 2,733,264	\$ 728,497
Change in fund type classification per implementation of GASB Statement No. 54	<u>728,497</u>	<u>(728,497)</u>
Balances July 1, 2010, as restated	\$ <u><u>3,461,761</u></u>	\$ <u><u>-</u></u>

Required Supplementary Information

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 7,226,584	\$ 867,089	\$ 8,093,673	\$ 7,826,438	\$ 267,235
State sources	7,064,590	5,463	7,070,053	7,517,555	(447,502)
Federal sources	663,546	204,223	867,769	461,000	406,769
Total revenues	14,954,720	1,076,775	16,031,495	15,804,993	226,502
EXPENDITURES/EXPENSES:					
Instruction	7,124,370	242,238	7,366,608	8,929,526	1,562,918
Support services	3,690,781	7,480	3,698,261	5,362,241	1,663,980
Non-instructional programs	-	605,206	605,206	913,178	307,972
Other expenditures	2,733,738	-	2,733,738	3,106,226	372,488
Total expenditures/expenses	13,548,889	854,924	14,403,813	18,311,171	3,907,358
Excess (deficiency) of revenues over (under) expenditures/ expenses	1,405,831	221,851	1,627,682	(2,506,178)	4,133,860
Other financing sources, net	4,887	-	4,887	-	4,887
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,410,718	221,851	1,632,569	(2,506,178)	4,138,747
Balance beginning of year	4,713,384	357,155	5,070,539	2,631,428	2,439,111
Balance end of year	\$ <u>6,124,102</u>	\$ <u>579,006</u>	\$ <u>6,703,108</u>	\$ <u>125,250</u>	\$ <u>6,577,858</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 1,073	\$ 1,073	0.0%	\$ 6,230	17.2%
2011	July 1, 2009	-	1,073	1,073	0.0%	6,718	16.0%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	<u>Special Revenue</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 29,630	\$ 89,553	\$ 119,183
Receivables:			
Property tax:			
Current year	1,409	-	1,409
Succeeding year	200,000	-	200,000
Interfund receivable	-	31,094	31,094
Accounts	-	7,152	7,152
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>231,039</u>	\$ <u>127,799</u>	\$ <u>358,838</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 36,034	\$ 36,034
Early retirement payable	3,229	-	3,229
Deferred revenue:			
Succeeding year property tax	200,000	-	200,000
Total liabilities	<u>203,229</u>	<u>36,034</u>	<u>239,263</u>
Fund balances:			
Restricted for:			
Management levy purposes	27,810	-	27,810
Student activities	-	91,765	91,765
Total fund balances	<u>27,810</u>	<u>91,765</u>	<u>119,575</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	\$ <u>231,039</u>	\$ <u>127,799</u>	\$ <u>358,838</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	<u>Special Revenue</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 100,127	\$ -	\$ 100,127
Other	29,872	251,780	281,652
State sources	36	-	36
Total revenues	<u>130,035</u>	<u>251,780</u>	<u>381,815</u>
Expenditures:			
Current:			
Instruction	3,426	314,851	318,277
Support services:			
Administration services	84,340	-	84,340
Operation and maintenance of plant services	125,472	-	125,472
Transportation services	6,109	-	6,109
Total expenditures	<u>219,347</u>	<u>314,851</u>	<u>534,198</u>
Excess (deficiency) of revenues over (under) expenditures	(89,312)	(63,071)	(152,383)
Fund balances beginning of year	<u>117,122</u>	<u>154,836</u>	<u>271,958</u>
Fund balances end of year	<u>\$ 27,810</u>	<u>\$ 91,765</u>	<u>\$ 119,575</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
CAPITAL PROJECTS ACCOUNTS
June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Assets				
Cash and pooled investments	\$ 3,496,509	\$ 9,552	\$ 1,127	\$ 3,507,188
Receivables:				
Property tax:				
Delinquent	-	5,687	-	5,687
Succeeding year	-	460,659	-	460,659
Intrafund receivable	-	-	132,573	132,573
Due from other governments	150,541	-	119,864	270,405
Total assets	\$ 3,647,050	\$ 475,898	\$ 253,564	\$ 4,376,512
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 132,573	\$ 132,573
Interfund payable	-	-	19,994	19,994
Intrafund payable	132,573	-	-	132,573
Deferred revenue:				
Succeeding year property tax	-	460,659	-	460,659
Total liabilities	132,573	460,659	152,567	745,799
Fund balances:				
Restricted for:				
School infrastructure	3,514,477	-	100,997	3,615,474
Physical plant and equipment	-	15,239	-	15,239
Total fund balances	3,514,477	15,239	100,997	3,630,713
Total liabilities and fund balances	\$ 3,647,050	\$ 475,898	\$ 253,564	\$ 4,376,512

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 1,143,037	\$ 408,645	\$ -	\$ 1,551,682
Other	36,023	13,823	17,736	67,582
State sources	-	140	13,231	13,371
Federal sources	-	-	106,632	106,632
Total revenues	<u>1,179,060</u>	<u>422,608</u>	<u>137,599</u>	<u>1,739,267</u>
Expenditures:				
Support services:				
Instructional staff services	-	-	31,186	31,186
Transportation services	-	53,000	-	53,000
Other expenditures:				
Facilities acquisition	6,100	205,023	972,571	1,183,694
Total expenditures	<u>6,100</u>	<u>258,023</u>	<u>1,003,757</u>	<u>1,267,880</u>
Excess (deficiency) of revenues over (under) expenditures	1,172,960	164,585	(866,158)	471,387
Other financing sources (uses):				
Operating transfers in	-	-	707,981	707,981
Operating transfers out	(132,573)	(877,843)	-	(1,010,416)
Total other financing sources (uses)	<u>(132,573)</u>	<u>(877,843)</u>	<u>707,981</u>	<u>(302,435)</u>
Net change in fund balances	1,040,387	(713,258)	(158,177)	168,952
Fund balances beginning of year, as restated	<u>2,474,090</u>	<u>728,497</u>	<u>259,174</u>	<u>3,461,761</u>
Fund balances end of year	<u>\$ 3,514,477</u>	<u>\$ 15,239</u>	<u>\$ 100,997</u>	<u>\$ 3,630,713</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Musical	\$ 1,828	\$ 882	\$ 15	\$ 2,695
HS Play	2,688	2,691	1,926	3,453
Speech	-	3,533	3,533	-
Vocal Music	3,398	115	1,643	1,870
Instrumental Music	2,665	2,402	5,067	-
Cross Country	-	76	-	76
Cheerleaders	2,652	19,442	21,255	839
Jayz Danz Drill Team	316	204	168	352
Basketball	9,853	15,013	21,300	3,566
Volleyball	7,402	11,362	14,948	3,816
Football	17,269	14,762	26,555	5,476
Soccer	836	5,248	6,084	-
Baseball	-	10,452	10,452	-
Track	6,784	5,417	7,409	4,792
Golf	-	4,040	4,040	-
Wrestling	8,623	7,494	12,876	3,241
Softball	-	5,037	5,037	-
General Athletics - HS	9,105	23,951	33,056	-
Class of 2010	863	-	863	-
Class of 2011	3,579	-	-	3,579
Class of 2014	780	-	-	780
Prom Account	1,495	4,249	3,778	1,966
Farrar Carnival	1,104	39	41	1,102
High School Students in Need	1,031	-	-	1,031
Jump Rope for Heart	1,951	-	-	1,951
3rd Grade Bubble Account	894	1,186	414	1,666
Springbrook	270	-	270	-
Yearbook - HS	4,064	5,775	9,684	155
Art Club	4,464	358	98	4,724
Industrial Tech - Donations	3	-	-	3
Club Hola	3,858	6,274	2,169	7,963
FCCLA	53	4,821	4,747	127
Student Council	3,483	7,902	10,161	1,224
Middle School Student Council	393	4,547	1,763	3,177
General Activity - HS	6,516	4,433	10,732	217
Middle School Vocal Music	801	3,802	850	3,753
Boys Basketball Camp	235	10,093	10,328	-
Volleyball Camp	1,952	9,933	9,954	1,931
Football Camp	6,007	19,730	23,813	1,924

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Soccer Camp	\$ 131	\$ 2,734	\$ 2,865	\$ -
Baseball Camp	4,631	3,805	7,547	889
Track Camp	3,431	7,314	10,745	-
Golf Camp	646	1,212	1,858	-
Wrestling Camp	7,303	3,015	6,184	4,134
Girls Basketball Camp	870	6,188	7,058	-
Elementary Students in Need	4,018	-	50	3,968
Elementary Yearbook	6,433	2,838	5,768	3,503
General Activity - Elem	6,335	-	299	6,036
Football Flag	-	3,757	1,174	2,583
Best Rewards	-	651	651	-
Softball Camp	3,823	4,670	5,290	3,203
Honor Society	-	333	333	-
	<u>\$ 154,836</u>	<u>\$ 251,780</u>	<u>\$ 314,851</u>	<u>\$ 91,765</u>

See accompanying independent auditor's report.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 5,849,710	\$ 5,347,324	\$ 5,170,202	\$ 4,106,306
Tuition	778,465	605,033	663,116	553,353
Other	598,409	625,768	867,982	504,852
Intermediate sources	-	-	-	17,481
State sources	7,064,590	5,743,746	6,383,061	5,743,142
Federal sources	663,546	871,680	251,757	129,774
Total revenues	<u>\$ 14,954,720</u>	<u>\$ 13,193,551</u>	<u>\$ 13,336,118</u>	<u>\$ 11,054,908</u>
Expenditures:				
Instruction	\$ 7,124,370	\$ 6,470,346	\$ 6,637,404	\$ 6,621,838
Support services:				
Student services	328,199	322,503	279,266	322,291
Instructional staff services	587,698	382,706	366,299	275,477
Administration services	1,195,895	1,058,486	1,020,673	990,542
Operation and maintenance of plant services	1,147,673	934,173	819,473	947,590
Transportation services	431,316	448,597	313,474	299,955
Other	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	1,183,694	6,630,208	6,198,992	293,924
Long-term debt:				
Principal	595,000	1,140,000	895,000	770,000
Interest and fiscal charges	463,690	488,832	473,664	97,597
AEA flowthrough	491,354	459,931	403,005	364,846
Total expenditures	<u>\$ 13,548,889</u>	<u>\$ 18,335,782</u>	<u>\$ 17,407,250</u>	<u>\$ 10,984,060</u>

See accompanying independent auditor's report.

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$	3,971,159	\$ 3,527,309	\$ 3,306,713	\$ 3,161,114
	546,397	469,489	464,409	536,214
	550,028	503,821	497,776	341,675
	-	-	-	-
	5,065,455	4,367,508	3,974,938	3,808,308
	140,591	132,059	123,261	72,498
	<u>\$ 10,273,630</u>	<u>\$ 9,000,186</u>	<u>\$ 8,367,097</u>	<u>\$ 7,919,809</u>
\$	5,956,907	\$ 4,812,198	\$ 4,653,586	\$ 4,448,686
	438,911	311,523	286,397	247,041
	271,626	270,701	193,651	175,735
	986,305	874,871	778,394	736,568
	952,297	853,039	716,959	854,074
	363,546	329,050	204,073	218,472
	-	-	111,739	141,415
	4,743	17,788	-	-
	93,815	137,668	542,150	3,090
	795,000	760,000	800,000	755,000
	129,012	157,668	188,749	221,321
	330,110	281,153	262,502	256,835
	<u>\$ 10,322,272</u>	<u>\$ 8,805,659</u>	<u>\$ 8,738,200</u>	<u>\$ 8,058,237</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Direct:			
U. S. Department of Education:			
Foreign Language Assistance	84.293	FY 11	\$ <u>169,744</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	13,824
National School Lunch Program	10.555	FY 11	153,523
National School Lunch Program (non-cash)	10.555	FY 11	<u>36,876</u>
			<u>204,223</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	0720 G	31,595
Title I Grants to Local Educational Agencies	84.010	SINA	10,600
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>28,531</u>
			<u>70,726</u>
Safe and Drug-Free Schools and Communities - National Program	84.184	FY 11	<u>790</u>
Fund for the Improvement of Education	84.215	FY 11	<u>8,560</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>4,632</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>8,457</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	64,624
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	<u>57,642</u>
			<u>122,266</u>
Education Jobs Fund	84.410	FY 11	<u>35,979</u>
Heartland Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY 11	62,487
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>60,265</u>
			<u>122,752</u>

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Urbandale Community School District (continued):			
Career and Technical Education - Basic Grants to States	84.048	FY 11	\$ <u>6,107</u>
U. S. Department of Homeland Security:			
Iowa Department of Public Defense:		HMGP	
Hazard Mitigation Grant	97.039	DR-1763-77-01	<u>98,072</u>
Total Indirect			<u>682,564</u>
Total			\$ <u><u>852,308</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Bondurant-Farrar Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Bondurant-Farrar Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bondurant-Farrar Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 11, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bondurant-Farrar Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11 through II-E-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bondurant-Farrar Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Bondurant-Farrar Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bondurant-Farrar Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Bondurant-Farrar Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bondurant-Farrar Community School District and other parties to whom Bondurant-Farrar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bondurant-Farrar Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
January 11, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of
Bondurant-Farrar Community School District:

Compliance

We have audited Bondurant-Farrar Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Bondurant-Farrar Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Bondurant-Farrar Community School District's management. Our responsibility is to express an opinion on Bondurant-Farrar Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bondurant-Farrar Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bondurant-Farrar Community School District's compliance with those requirements.

In our opinion, Bondurant-Farrar Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Bondurant-Farrar Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Bondurant-Farrar Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bondurant-Farrar Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over compliance during the course of our audit.

Bondurant-Farrar Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Bondurant-Farrar Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bondurant-Farrar Community School District and other parties to whom Bondurant-Farrar Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
January 11, 2012

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 84.027 – Special Education Grants to States
 - CFDA Number 84.391 – ARRA – Special Education – Grants to States, Recovery Act
 - Clustered programs:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bondurant-Farrar Community School District did not qualify as a low-risk auditee.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

- II-A-11 Abuse of Authority – We noted in our payroll testing that the former Board Secretary double-paid himself a payroll benefit totaling \$136.35. The District allows a payroll benefit of either an Internal Revenue Service Section 125 flexible benefit plan or a tax-sheltered annuity (TSA). This person elected to participate in the TSA program but also paid himself a cash flexible benefit of \$45.45 per month for three months.

Recommendation – The District should determine the proper action to pursue regarding this situation. We understand that the person has already resigned the position of Board Secretary, and that the District’s controls prevented a much greater loss.

Response – Our internal controls caught the discrepancy when payroll personnel completed a payroll review. We gave the former Board Secretary an opportunity to correct the discrepancy the following month. This person was unaware that the District had any knowledge of the impropriety at that time and no corrections were made in the succeeding period. The District then prepared the necessary evidence and confronted the person regularly preparing the payroll. That person reimbursed the funds to the District in December 2010 and resigned from the position of Board Secretary. We have changed our payroll procedures as the business director now also reviews the payroll at several points during the process. We consider the matter to be satisfactorily resolved at this time.

Conclusion – Response accepted.

- II-B-11 Disbursement Approval – Out of forty-two disbursements selected, the full Board did not approve eight disbursements prior to making the actual disbursement. These instances all occurred between September 2010 and November 2010.

Recommendation – The procedure described in the above comment weakens the control that the Board has over disbursements since not all of the supporting documentation was available for the entire Board to examine and support their authorization for payment.

Chapter 279.29 of the Code of Iowa provides that “the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” In accordance with an Attorney General’s opinion dated July 12, 1979, “no claim can be paid until the Board has taken final action on the claim. Logically, no final action can be taken on the claim until all of the specifics of the claim have been examined and verified.”

Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board meeting with the approval of the Board President. The Board’s written policy should comply with Chapter 279.30 of the Code of Iowa. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

II-B-11 Disbursement Approval (continued)

Response – These all occurred during the time the former Board Secretary was in charge of preparing the Board packets. The Finance Committee had authorized the bills but these items had been inadvertently omitted from the listing presented to the whole board in their board packet. The approval process has been modified to insure that the full board has approved disbursements.

Conclusion – Response accepted.

II-C-11 Bank Reconciliations – We noted in our testing of bank reconciliations that \$1,676 of Enterprise, School Nutrition Fund revenues had been recorded twice and not corrected by the District prior to the date of the audit.

Recommendation – The bank reconciliation process when properly completed should catch errors such as this by matching receipts, disbursements and the cash balance per the books to the cash balance per the bank reconciliation. Adjustments should be timely made when required.

Response – We have now made the proper adjustment to revenues, and we will make all such needed adjustments in the future when completing the bank reconciliations.

Conclusion – Response accepted.

II-D-11 Student Activities – We noted in our testing of fundraising activities in the Special Revenue, Student Activity Fund that no fundraiser reconciliation was prepared for an item we selected for testing.

Recommendation – The District has a requirement that all clubs participating in fundraising activities prepare a reconciliation of revenues to expenditures and other uses and determine that a proper profit margin has been attained and to account for any unused fundraiser inventory. This process protects the underlying assets and ensures that all fundraisers are proper and approved. This requirement should always be enforced by District management and consequences should be enacted for clubs not following the proper procedures.

Response – Enhanced controls are being put in place with additional pre-requisite forms and education of club sponsors, including proper enforcement actions.

Conclusion – Response accepted.

II-E-11 Disbursements – Out of forty-two disbursements tested, two were not supported by an invoice or receipt being attached to the disbursement jacket prior to a check being released for payment. These disbursements totaled \$6,068.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation prior to the check being released for payment. Upon follow up, proper support documentation was able to be obtained from the vendor.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

II-E-11 Disbursements (continued)

Response –All future disbursements will be properly supported prior to the check being released for payment.

Conclusion – Response accepted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes – Except as previously mentioned in finding II-B-11, no transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

BONDURANT-FARRAR COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-11 Statewide Sales and Services Tax (continued)

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 2,474,090
Revenues:		
Sales tax revenues	\$ 1,143,037	
Other local revenues	<u>36,023</u>	<u>1,179,060</u>
Expenditures/transfers out:		
School infrastructure construction	6,100	
Transfers to other funds:		
Other capital project accounts	<u>132,573</u>	<u>138,673</u>
Ending balance		\$ <u><u>3,514,477</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.